

Rasandik Engineering Industries India Limited

July 11, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	75.17	CARE D (Single D)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Short Term Bank Facilities	9.06	CARE D (Single D)	Revised from CARE A4 (A Four)
Total Bank Facilities	84.23 (₹ Eighty-Four Crore and Twenty-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has revised the ratings of Rasandik Engineering Industries India Limited (REIL) to CARE D/ CARE D. Facilities with this rating are in default or are expected to be in default soon. The revision in the ratings of bank facilities of REIL takes into account the instances of delays in servicing of debt obligations by the company.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Timely servicing of debt obligations for more than three months

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of debt obligations

The company has reported instances of delays in the debt obligations as reported by the auditor in the annual report of the company for the year ending March 31, 2022. However, there is no default in repayment of debt as at the year-end as per the audit report.

Working capital intensive nature of operations

Being in auto ancillary industry, the operations of the company are working capital intensive in nature. The operating cycle of the company remained stretched at around 90 days during FY22. This is largely on account of piling up of inventory due to low business volumes. Further, the large portion of current assets is funded through external borrowing which has resulted in low current ratio of below 1x.

Exposure to fluctuation in raw material prices

The key raw material for REIL's product is steel sheets, the prices of which are volatile. The company receives orders from Maruti Suzuki India Limited (MSIL) and other OEMs regularly as per their production schedule and simultaneously REIL procures raw material from its suppliers. The increase in raw material prices can be passed on to the OEM's but with time lag (1-2 months). Hence, to that extent, the profitability remains exposed to the fluctuation in raw material prices. Furthermore, being a moderate sized player in the auto ancillary segment, REIL has limited negotiation power vis-à-vis its customers which are large and established OEMs.

Cyclical nature of the automotive industry

The automobile industry is cyclical in nature and automotive component suppliers' sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers.

Key Rating Strengths

Experienced Promoters

REIL was promoted by Mr. Rajiv Kapoor in 1986 to manufacture auto components with its first manufacturing facility in Gurgaon. Mr. Kapoor is an IIT Delhi graduate and has over three decades of experience in the auto components manufacturing system. He manages business operations largely concentrating on the product developments, new business opportunities, technology up-gradation, product quality and growth strategies. He is ably supported by Mrs. Deepika Kapoor, who looks after human relations, company management and general administration.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Strategic location of manufacturing units

REIIL is engaged into manufacturing of sheet metal components like dead axles, suspension parts, skin panels, fuel tanks, motorcycle frames etc. The company has 5 operational plants at Gurgaon (2); Surajpur, Greater Noida (1); Mewat (1); Pune (1) with an installed capacity of 72000 MT for Sheet metal components and 30, 00,000 MT for Tailor Welded Blanks as on March 31, 2021. REIIL has its manufacturing plants located near manufacturing facilities of OEMs to meet the latter's requirements. This helps REIIL to remain competitive by combating transportation cost and continuous supply of components. The company has an integrated manufacturing plants encompassing stamping, pressing, welding (Robot Spot welding, Robot MIG welding, Nut welding etc.), and assembling, sealing and painting capabilities.

In-house design and engineering capabilities

REIIL's design, engineering capability and ability to manufacture sheet metal pressed components with consistent quality and reliability is well acknowledged by OEM customers resulting in repeated orders y-o-y. Necessary drawings or blue print are provided by the customers based on which company designs the tool. REIIL is well equipped with CAD/CAM/CAE design capability, tool room and manufacturing capacities with CNC wire cutting machines, welding machines and presses for manufacturing of tool.

Liquidity: Stretched

The liquidity position of the company remained stretched with low cash and bank balance and high working capital utilization levels. The company has a low current ratio of 0.71x as on March 31, 2022. The liquidity is further stretched on account of tightly matched cash accruals and repayment obligation for FY23.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Auto Ancillary Companies](#)

[Manufacturing Companies](#)

About the company

Incorporated in 1986, REIIL promoted by Mr. Rajiv Kapoor is engaged in providing engineering solutions, designing and manufacturing delivery of sheet metal components and assemblies to automobile industry. The company manufactures sheet metal components, press tools and dies for high tensile application in Heavy Commercial Vehicle (HCV), Light Commercial Vehicle (LCV), Passenger Vehicle (PV), tractors and 2-wheeler industry, heavy fabrication for railways. The company has an installed capacity of 72000 MT for sheet metal components and 30,00,000 MT for Tailor Welded Blanks as on March 31, 2021.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	208.97	207.34	NA
PBILDT	6.43	15.98	NA
PAT	-3.32	-2.71	NA
Overall gearing (times)	0.78	0.91	NA
Interest coverage (times)	0.57	1.42	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2024	28.17	CARE D
Fund-based - LT-Cash Credit		-	-	-	47.00	CARE D
Non-fund-based - ST-Bank Guarantee		-	-	-	2.50	CARE D
Fund-based - ST-Bank Overdraft		-	-	-	6.56	CARE D

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	28.17	CARE D	-	1)CARE BB; Stable (30-Jul-21)	1)CARE BB-(CWD) (25-Nov-20)	1)CARE BB+; Negative (25-Feb-20) 2)CARE BB+; Stable (04-Oct-19)
2	Fund-based - LT-Cash Credit	LT	47.00	CARE D	-	1)CARE BB; Stable (30-Jul-21)	1)CARE BB-(CWD) (25-Nov-20)	1)CARE BB+; Negative (25-Feb-20) 2)CARE BB+; Stable (04-Oct-19)
3	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE D	-	1)CARE A4 (30-Jul-21)	1)CARE A4 (CWD) (25-Nov-20)	1)CARE A4 (25-Feb-20) 2)CARE A4+ (04-Oct-19)
4	Fund-based - ST-Bank Overdraft	ST	6.56	CARE D	-	1)CARE A4 (30-Jul-21)	1)CARE A4 (CWD) (25-Nov-20)	1)CARE A4 (25-Feb-20) 2)CARE A4+ (04-Oct-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Puneet Kansal
Phone: +91-11-4533 3225
E-mail: puneet.kansal@careedge.in

Relationship contact

Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in